

Esker's 2020 Annual Results

Record results and continued investments brings optimism for 2021

LYON, France, and MIDDLETON, Wis. — March 25, 2021

VALUE IN THOUSANDS OF EUROS	2020	2019	GROWTH
SALES REVENUE	112,274	104,188	+8%
INCOME FROM OPERATIONS	13,612	12,418	+10%
CURRENT INCOME BEFORE TAXES	13,545	12,686	+7%
NET INCOME	11,562	9,745	+19%

The Esker Supervisory Board approved the financial statements for the year, ending December 31, 2020. Audit procedures on the consolidated accounts have been completed. The certification report will be issued at the end of April, following the completion of procedures required for the publication of the annual financial report.

Continued growth despite COVID-19 pandemic

Esker's sales revenue amounted to 112.3 million euros in 2020, an 8% increase over 2019 (+9% based on a constant exchange rate). These results are marked by the ongoing success of the company's cloud document process automation solutions, which represent over 104 million euros (93% of sales), a 12% increase over 2019.

Volumes processed by Esker's platform were negatively impacted during Q2 2020 (approximately 25% in April and May) due to the decrease in customer activity stemming from the numerous government restrictions put in place to address the COVID-19 pandemic. Business activity recovered significantly in Q3 and Q4, returning to double-digit growth. However, despite this, Esker estimates that this upturn did not fully offset the impacts of the pandemic, and growth remains around 5% below pre-COVID expected levels. The quality of Esker's cloud model, as well as the resilience of revenue generated by its solutions, enabled the company to achieve dynamic revenue growth despite the global health and economic situation.

The performance of traditional license-based products and legacy products continue their downward trend and represent only 7% of the company's business.

Record number of signed projects

Beyond the strong financial results in 2020, sales achieved a record performance for the year. The minimum guaranteed value of signed contracts in 2020 (bookings) increased by 17% compared to 2019. Following a successful Q1, in line with performance achieved in 2019 (+36%), bookings were strongly affected in Q2 by

the pandemic (-20%). Recovery began in Q3 with new contract value picking up (+16% growth) and accelerated in Q4 with the company experiencing a record quarter with over 30% growth in new bookings.

The significance of automation solutions for finance and customer service processes during a pandemic and the company's excellent performance have enabled Esker to achieve strong sales growth despite the health constraints. Bookings were particularly dynamic in the Americas (+36%) and Asia-Pacific (+16%). In Europe, the delay in signatures to Q4 enabled bookings to be maintained close to the high level seen in 2019 (-4%).

These multi-year contracts have a marginal impact on revenue in the year they are signed, while their acquisition costs, mainly marketing and sales, are charged in full to the fiscal year.

Continued growth investments

In 2020, Esker's workforce increased 13% to reach 764 employees at the end of December. Despite the pandemic, Esker essentially maintained its hiring plans for the year. Efforts were particularly focused on technical departments, notably R&D (+16%) and consulting (+11%). The Customer Experience (CX) teams, dedicated to monitoring and improving the satisfaction of its existing customers, were also considered essential in difficult economic times and were strongly reinforced (+24%). Sales and marketing hires were maintained at a level consistent with revenue growth.

Increased operating profitability

Esker's operating income (EBIT) increased 10% to reach 13.6 million euros in 2020, compared with 12.46 million euros in 2019. Operating profitability increased slightly from 11.9% to 12.1% in 2020 despite lower than initially anticipated 2020 growth levels. Esker demonstrated its ability to manage economic uncertainties without abandoning its medium and long-term objectives, as demonstrated by the increase in headcount.

Investments made in R&D, consulting and CX were offset by the controlled expenses in sales and marketing (+2%). The adoption of working from home and the shift towards automated or online marketing operations have made it possible to maintain a high level of operational performance while controlling spend.

Strong increase in net income

As communicated in Esker's 2020 half-year results, Esker decided to take advantage of the favorable tax regime traditionally reserved for profits derived from the exploitation of patents (i.e., patent box), which was recently extended for French companies to software activities. Consequently, the company benefits from its constant commitment to maintaining the vast majority of its investments in software development in France.

The net effect of the new tax system over previous financial years was classified as exceptional income. The effect on the 2020 results leads to a decrease of five points in the effective company tax rate. The tax charge therefore fell by 13% compared to 2019. Given these factors, Esker's 2020 net income amounted to 11.6 million euros, a 19% increase over to 2019.

Outlook for 2021 and available cash

Esker's performance in 2020, both in terms of revenue and bookings, allows the company to approach 2021 with confidence. Contracts signed in 2020, particularly in Q4, will progressively fuel 2021 revenue growth. This should be particularly noticeable as of Q2, given a favorable base effect. Nevertheless, given the ongoing economic and health crisis, 2021 will not see an immediate return to a pre-COVID situation. Under these circumstances, Esker expects 2021 growth close to 15% (at constant exchange rates). At this level of activity, profitability should remain at the levels seen in 2020.

Esker has decided to repay in full the 11.5 million euros in state-guaranteed loans initially received to cover any possible COVID-19-related financial consequences. Taking into account cash on hand on the 2020 closing balance sheet (40.4 million euros), the amount of available financial assets (4.9 million euros), and the repayment of those loans, available 2021 company cash rests at 33.8 million euros.

An English webcast will take place March 25, 2021, at 7:00 p.m. CET. To participate in the conference call:

- By a computer or mobile device: <https://global.gotomeeting.com/join/792392733>
- By phone France: +33 (0)1 87 21 02 41 – Passcode: [792392733#](https://global.gotomeeting.com/join/792392733)
- By phone USA: +15713173116 – Passcode: [792392733#](https://global.gotomeeting.com/join/792392733)

About Esker

Esker is a global cloud platform built to unlock strategic value for finance and customer service professionals, and strengthen collaboration between companies by automating the cash conversion cycle. Esker's solutions incorporate technologies like Artificial Intelligence (AI) to drive increased productivity, enhanced visibility, reduced fraud risk, and improved collaboration with customers, suppliers and internally. Esker operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin. For more information on Esker and its solutions, visit www.esker.com. Follow Esker on Twitter [@EskerInc](https://twitter.com/EskerInc) and join the conversation on the Esker blog at blog.esker.com.

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